



June 2021

## Monthly Macroeconomic Review\*

### Main indicators of Month

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- According to the GEOSTAT preliminary estimate, in May annual economic growth amounted to 25.8%
- Annual inflation amounted to 9.9% in June
- In June, GEL appreciated against USD (by 7.0%) and EUR (by 7.8%) MoM

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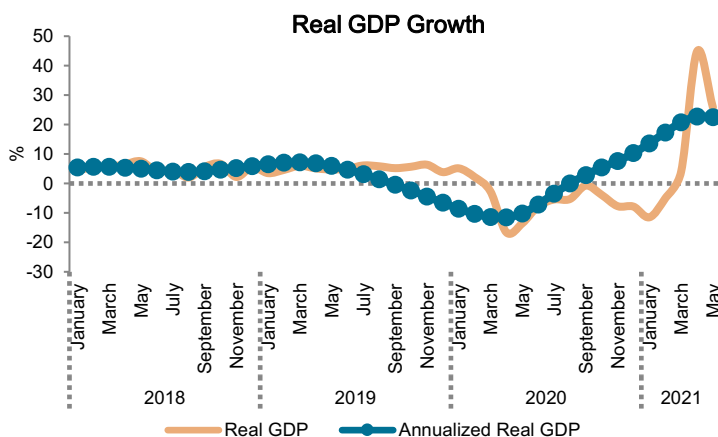
\*According to the release calendar of the statistical data, some indicators represent the variables of the previous month



# 1. Real and Fiscal Sector

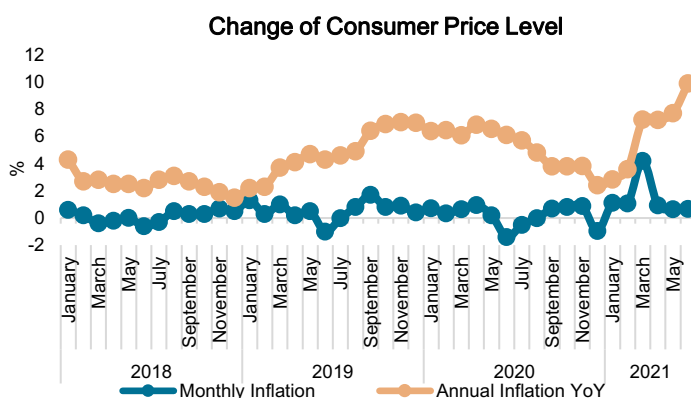
## In May, positive annual economic growth was 25.8%.

In accordance with preliminary estimates of GEOSTAT, in May 2021, annual real GDP growth amounted to 25.8%. According to the Parliamentary Budget Office (PBO) estimates, MoM annualized growth rate<sup>1</sup> of the real GDP amounted to 20.3% in May.



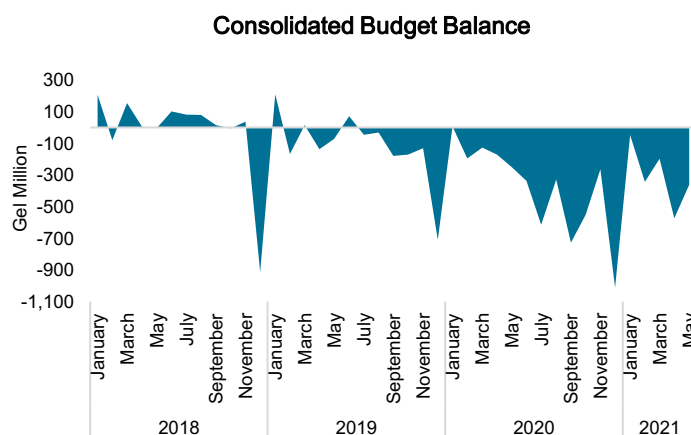
## In June, annual CPI inflation amounted to 9.9%

In June 2021, the inflation rate amounted to 9.9%, higher than the inflation target of 3%. Annual inflation was predominantly driven by dynamics of prices on the food and non-alcoholic beverages, transport, housing, water, electricity, gas and other fuels. In May 2021, the annual GDP deflator amounted to 8.2%.



## In May, the general government net lending/borrowing was negative.

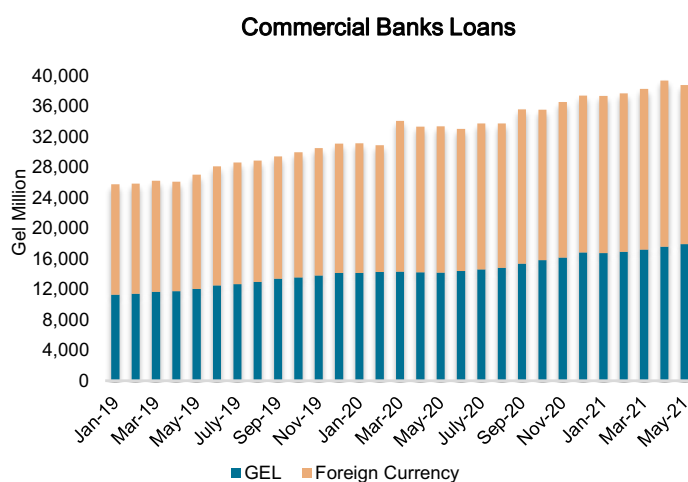
In May 2021, general government revenues increased by 13.9% YoY, while expenses increased by 15.6%. In the analyzing period, the general government negative net operating balance (government savings) amounted to 146 million GEL, while negative net lending/borrowing was defined at 361.6 million GEL.



<sup>1</sup> MoM annualized growth rate of real GDP is calculated on the basis of real GDP data by removing seasonality and random shocks, in order to showcase development trends

**In May, compared to the same period of the previous year, commercial bank loans to the national economy exhibited an essential growth trend in both national and foreign currencies.**

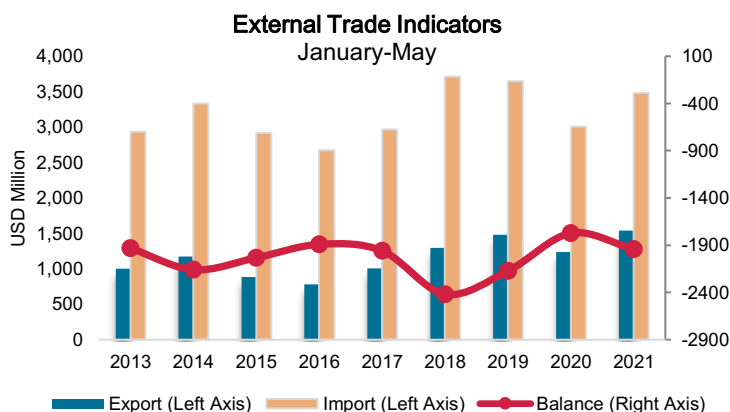
In May 2021, compared to the May of the previous year, commercial bank loans increased by 16.3% YoY and amounted to 38.8 billion GEL. National currency loans increased by 26.3%, while foreign currency loans increased by 8.9%.



## 2. External Sector

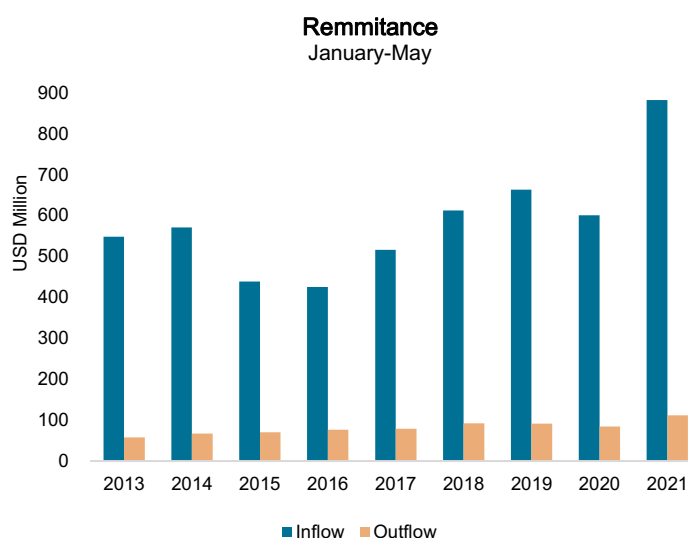
**In January-May, both export and import of goods have increased.**

In January-May 2021, exports increased by 24.4%, while imports increased by 15.7% YoY. This was mainly due to the increase in trade turnover. During this period, the share of exports in external trade amounted to 30.6%. Export growth was substantial in the following countries: Ukraine (72%), Turkey (63%), China (62%), and Russia (30%). It needs to be mentioned that during this period export significantly decreased in Spain (36%), Bulgaria (29%). And Switzerland (23%).



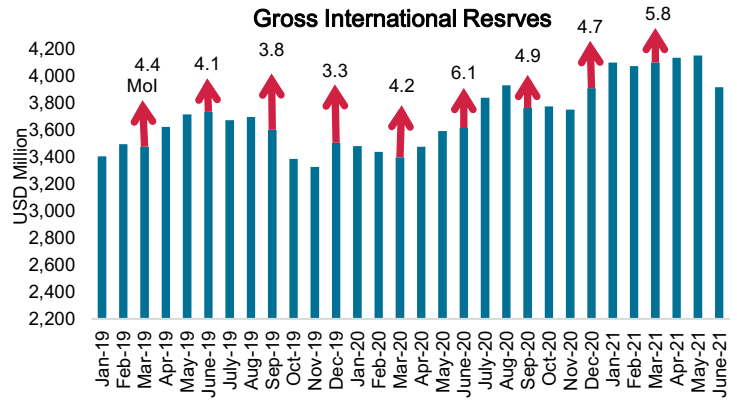
**In May remittances increased**

In May 2021, remittances increased by 42.4% YoY. The main source of money transfers are EU countries (42% of total), Russia (16.9%), and the USA (12.9%). In the analyzing period, remittances increased significantly from the following countries: Azerbaijan (by 115%), Ukraine (by 110%), Germany (by 70%), Russia (by 61%), USA (by 59%) and Italy (by 16%).



**In June 2021, International Reserves amounted to 3,918 million USD.**

In June 2021, international reserves amounted to 3,918 million USD, which is a 8.4% YoY increase and 5.7% MoM decrease. In June 2021, the National bank of Georgia did not take part in the foreign exchange interventions.

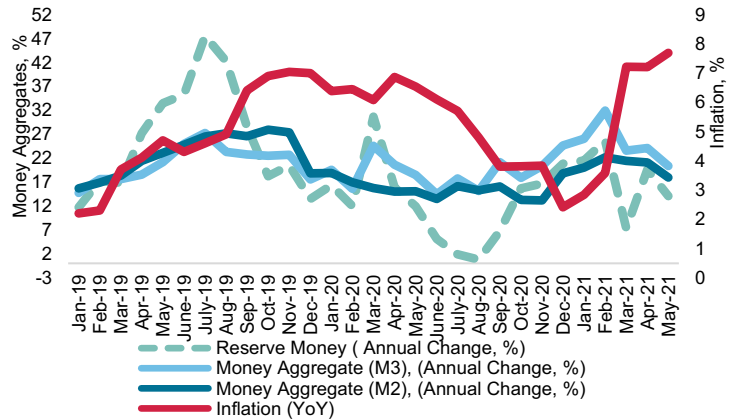


### 3. Monetary Sector

**In May, compared to the same period of the previous year, reserve money had a growth tendency.**

In May 2021, reserve money increased by 14.1% YoY, money aggregate M2 – by 17.9%, and money aggregate M3 – by 20.3%. In May 2021, consumer price inflation amounted to 7.7% YoY.

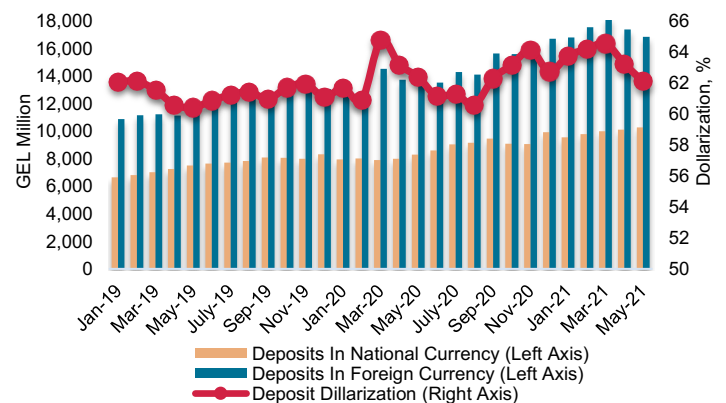
**Money Aggregates and Consumer Prices % Change**



**In May, the dollarization decreased on deposits and on loans MoM.**

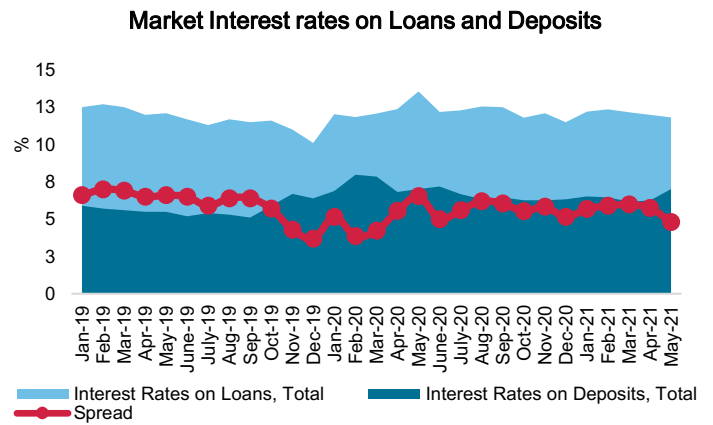
In May 2021, the deposit dollarization indicator decreased by 1.14 pp and amounted to 62.1%, also the loan dollarization has decreased by 1.48 pp and made up to 54.19%. In May, foreign currency deposits decreased by 3.1% MoM, while national currency deposits increased by 1.7%.

**Deposits and Dollarization**



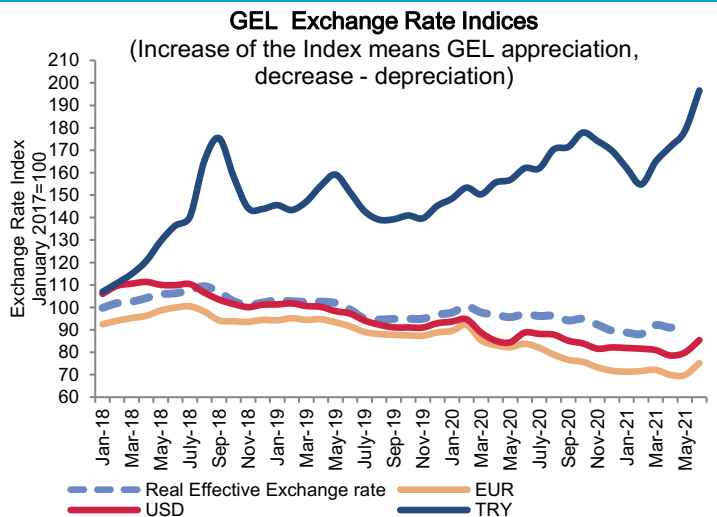
**In May, interest rates increased on deposits (by 0.8 pp) and decreased on loans (by 0.2 pp) MoM.**

In May 2021, market interest rates on loans amounted to 11.8%, while interest rates on deposits were defined at 7.0%. The interest rate spread (difference between loan and deposit rates) amounted to 4.8% as of May 2021, 1.7 pp lower compared to May 2020.



**In June, compared to the previous month, the GEL rate shows appreciation towards both USD and EUR.**

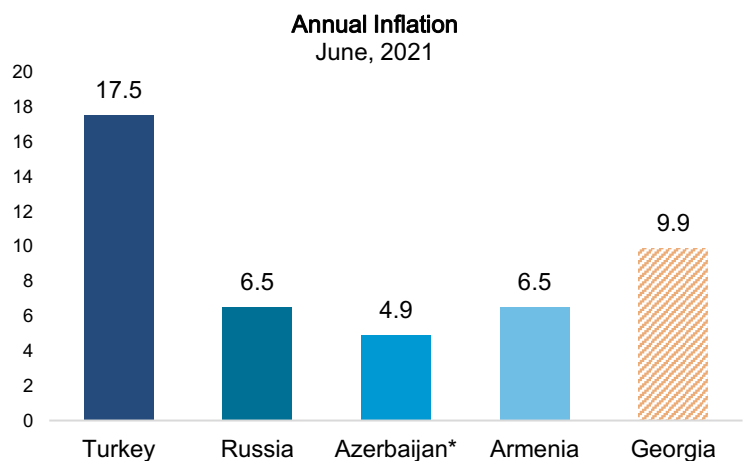
In June 2021, GEL appreciated by 7.0% against USD and by 7.8% against EUR MoM. In the analyzing period, the nominal effective exchange rate appreciated as well. In June, the GEL exchange rate depreciated by 3.8% towards USD and by 10.2% towards EUR YoY.



## 4. Regional Review

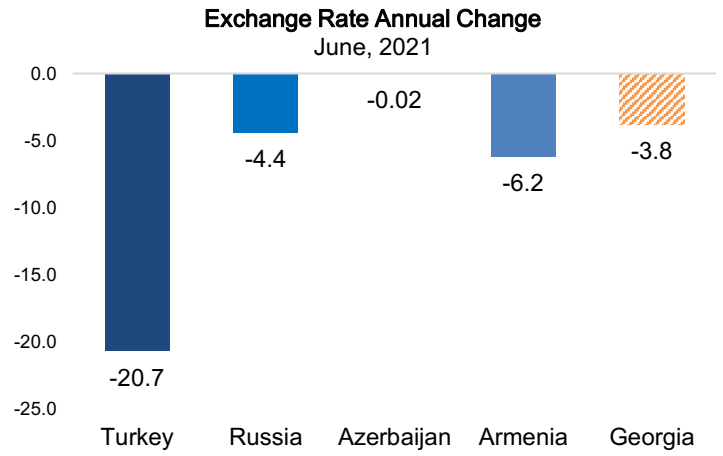
**In June, consumer price inflation stands out with similar dynamic trends in the region countries, except Turkey.**

Namely, in June 2021, annual inflation amounted to 17.5% in Turkey. Inflation was lower in Russia (6.5%) and Armenia (6.5%). As for Azerbaijan, in May 2021, consumer prices have increased by 4.9% YoY.



**In June, currencies of the region countries, stand out with a tendency of depreciation towards USD, but with different sizes.**

Particularly, in June 2021, TRY depreciated by 20.7% YoY towards USD, RUB by 4.4%, AMD by 6.2%. In the analyzing period, AZN insignificantly depreciated towards USD (by 0.02%).



## Summary Table<sup>2</sup>



Increase



Decrease



Change < 1%

		01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020	08.2020	09.2020	10.2020	11.2020	12.2020	01.2021	02.2021	03.2021	04.2021	05.2021	06.2021	
Real Sector	GDP Growth Rate	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Green	Green	Green		
	VAT Turnover Growth Rate	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	
Monetary Sector	Inflation	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	
	Monetary Policy Rate	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	
	Deposit Dolarization	Red	Red	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Green	Red	
	Loan Dolarization	Red	Red	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Red	Red	
External Sector	Exchange Rate	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	
	Remittances	Green	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	
	Export	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	
	Import	Green	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	
	Trade Balance	Red	Red	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Red	Red	
	International Rerves	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	
Fiscal Sector	Revenues	Red	Green	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	
	Recurent Expenditure	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	
	Capital Expenditure	Red	Green	Green	Red	Red	Green	Green	Red	Green	Green	Red	Red	Green	Green	Red	Green	Green	Green	

\* Values in the table are compared to those of the same month in the previous year.

		01.2020	02.2020	03.2020	04.2020	05.2020	06.2020	07.2020	08.2020	09.2020	10.2020	11.2020	12.2020	01.2021	02.2021	03.2021	04.2021	05.2021	06.2021
Real Sector	GDP Growth Rate	Green	Red	Red	Red	Green	Green	Green	Green	Green	Red	Red	Red	Red	Green	Green	Green	Red	
	VAT Turnover Growth Rate	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red
Monetary Sector	Inflation	Red	Green	Red	Green	Red	Red	Red	Red	Red	Orange	Orange	Red	Green	Green	Green	Red	Green	Green
	Monetary Policy Rate	Orange	Orange	Orange	Red	Orange	Green	Green	Green	Green	Orange	Orange	Orange	Orange	Orange	Green	Green	Orange	Orange
	Deposit Dolarization	Green	Red	Green	Red	Red	Red	Red	Red	Red	Green	Green	Red	Green	Green	Green	Red	Red	
	Loan Dolarization	Red	Red	Green	Green	Red	Red	Red	Red	Red	Green	Green	Red	Green	Green	Red	Red	Red	
External Sector	Exchange Rate	Red	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
	Remittances	Green	Green	Red	Red	Green	Green	Green	Red	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red
	Export	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
	Import	Green	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
	Trade Balance	Green	Red	Green	Green	Red	Red	Red	Red	Red	Green	Red	Red	Red	Red	Red	Red	Green	Red
	International Rerves	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
Fiscal Sector	Revenues	Red	Red	Green	Red	Red	Green	Red	Red	Green	Green	Green	Green	Red	Red	Green	Red	Red	
	Recurent Expenditure	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Red	Green	Green	Green	Green	Green	Red	
	Capital Expenditure	Red	Green	Green	Red	Red	Green	Green	Red	Green	Red	Red	Green	Red	Green	Green	Green	Red	

\*\* Values in the table are compared to those of the previous month.

<sup>2</sup> Increase of exchange rate means depreciation, decrease – appreciation.